



**NORTH ANDREW COUNTY R-VI SCHOOL DISTRICT  
YEAR ENDED JUNE 30, 2001**

**From The Office Of State Auditor  
Claire McCaskill**

**Report No. 2002-40  
May 20, 2002  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)**

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2002

**The following problems were discovered as a result of an audit conducted by our office of the North Andrew County R-VI School District.**

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Purchase orders were not always prepared in accordance with district policy. Purchase orders were not prepared for 19 of 26 expenditures reviewed, including \$2,779 and \$1,427 for building materials and \$3,936 for athletic supplies.

The district made payments in 2001 of \$4,800 to the superintendent for vehicle allowance and \$1,000 to each of the two principals for district travel. Additionally, teachers are each paid \$100 for completing in-service training. These payments appear to be taxable compensation but are not reported on the employees' W-2 forms.

Adequate supporting documentation was not retained for many purchases made on the district's credit cards. The district has three credit cards used for travel and other purposes. Credit card purchases totaled \$9,466 for the year ended June 30, 2001, and invoices or other supporting documentation was not retained for \$2,688, of the total credit card expenditures. The purpose of some credit card expenditures, especially travel expenditures, was not documented, including \$237 for food and beverage at the Lake of the Ozarks.

Controls over the petty cash account need to be improved. The duties of handling, recording, distributing, and reconciling the petty cash account need to be segregated. In addition, the school board needs to review and approve all petty cash expenditures. The petty cash account should be used only for small and emergency purchases, and several expenditures were made from the account which appear inappropriate including \$1,950 for furniture, \$300 for in-service training, \$220 for a retirement gift, and \$175 for graduation supplies.

The audit also includes some matters related to expenditures, rentals and leases, fixed assets procedures, and petty cash procedures, upon which the school district should consider and take appropriate corrective action.

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YELLOW SHEET

NORTH ANDREW COUNTY R-VI SCHOOL DISTRICT

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STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Board of Education  
North Andrew County R-VI School District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the North Andrew County R-VI School District. The school board had engaged William White, Certified Public Accountant (CPA), to audit the district for the year ended June 30, 2001. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the school district included, but was not necessarily limited to, the year ended June 30, 2001. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review compliance with certain legal provisions.
3. Review certain management practices.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents and interviewed various personnel of the school district.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the school district's management and was not subjected to the procedures applied in the audit of the school district.

The accompanying Management Advisory Report presents our findings arising from our audit of the North Andrew County R-VI School District.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

February 6, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA  
Audit Manager: Mark Ruether, CPA  
In-Charge Auditor: Marty Beck

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

NORTH ANDREW COUNTY R-VI SCHOOL DISTRICT  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

**1.**

**Expenditures**

- A. Purchase orders were not always prepared in accordance with district policy. Except for regular recurring expenditures such as telephone and utility bills, purchase orders, approved by a supervisor, are required for all purchases. Purchase orders were not prepared for 19 of 26 applicable expenditures reviewed, including \$2,778 and \$1,427 for building materials and \$3,936 for athletic supplies. To help ensure the propriety of expenditures and to ensure compliance with district policy, purchase orders should be prepared for all applicable expenditures.
- B. Adequate supporting documentation was not retained for many purchases made on the district's credit cards. The district has three credit cards used by officials and employees for travel and other purposes, and the district incurs dues of \$165 and credit protection fees of \$80 annually on these cards. Credit card purchases totaled \$9,466 for the year ended June 30, 2001, and invoices or other supporting documentation was not retained for \$2,688, or 28 percent, of the total credit card expenditures. The purpose of some credit card expenditures, especially travel expenditures, was not documented, including \$237 for food and beverage at the Lake of the Ozarks. In addition, it appears some non-travel related expenditures charged to the credit cards, such as books and supplies, should have been made through the district's purchase order procurement process.
- Due to the inadequate documentation of many credit card expenditures and the fees incurred just for possessing the credit cards, the school board should review the use of these cards. The board should adopt policies and procedures to ensure credit cards are used for only necessary district-related purposes and are not used for purchases which should go through the purchase order procurement process. The district should require the users of the credit cards to submit invoices or other documentation for all charges, and document the purpose of all travel-related charges prior to payment.
- C. During the year ended June 30, 2001, the district incurred expenditures totaling approximately \$1,500 for flowers for funerals and illnesses, a board Christmas dinner, a retirement reception and gifts for retirees, and food for other celebrations. These expenditures do not appear to be necessary for district operations or prudent uses of public funds.

**WE RECOMMEND** the School Board:

- A. Ensure purchase orders are prepared for all applicable expenditures.
- B. Review the use of the district's credit cards and adopt applicable policies and procedures. These policies should require adequate supporting documentation is submitted for all credit card charges prior to payment, including documentation of the purpose of travel-related charges, and ensure the credit cards are used for only necessary district-related purposes. In addition, items which could be procured through the normal purchase order process, such as books and supplies, should not be charged to district credit cards.
- C. Ensure expenditures are a necessary and prudent use of public funds.

**AUDITEE'S RESPONSE**

- A. *Checks were prepared and paid by the board from invoices in all cases noted. We have already changed the process of making sure that all invoices are matched with purchase orders. This change has been adopted since January 1, 2002.*
- B. *The district has examined all these credit card purchases and has determined that they were all valid charges related to the operation of the school. We will be working with the Missouri School Board Association (MSBA) policy division to develop policies to meet the recommendations given here. We will have these procedures in place by August 1, 2002.*
- C. *The board will conduct a study of these situations and will develop policies by August 30, 2002, to address issues dealing with purchases related to funerals, flowers, illnesses, and retirements.*

**2.**

**Petty Cash**

- A. Controls over the petty cash bank account need to be improved. The petty cash bank account is used mainly for small or emergency purchases, and the account is replenished by writing checks from the district's general checking account. The board secretary maintains this account, writes and signs the checks, and performs the bank reconciliations. For the school year ending June 30, 2001, approximately \$8,500 in expenditures was paid from the petty cash account.

To ensure proper recording of all transactions, the duties of handling, recording, distributing, and reconciling the petty cash account should be segregated. If the duties cannot be adequately segregated, at a minimum, there should be monthly documented independent reviews of the petty cash accounting records. This review should include the bank reconciliations, reconciling recorded receipts to

deposits, and propriety of disbursements. Failure to adequately segregate duties or provide a supervisory review increases the risk of improper expenditures and that errors or irregularities will not be detected in a timely manner.

- B. Individual expenditures processed through the petty cash account are not reviewed by the school board. The board receives a listing of current expenditures for approval at each meeting. The amount needed to replenish the petty cash account is recorded as a single line item total with no detail of the individual amounts comprising the total.

In addition, the district has not adopted formal policies and procedures regarding the use of the petty cash account. The purpose of a petty cash account is to provide funds for small emergency purchases or small purchases which are impractical to process through the normal purchase-order process. Several expenditures were made from the petty cash account which appear inappropriate and should have been processed through the general district account, including \$1,950 for furniture, three payments of \$100 each to teachers for in-service training, \$220 for a retirement gift, and \$175 for graduation supplies.

Section 165.021, RSMo 2000, requires district monies be disbursed by the treasurer of the district upon orders of the school board. Therefore, it is necessary for the board to adopt formal procedures regarding petty cash expenditures and ensure the board receives and approves listings of all petty cash expenditures.

**WE RECOMMEND** the School Board:

- A. Provide for adequate segregation of duties for the petty cash account, or at a minimum, require independent documented reviews of petty cash accounting records.
- B. Adopt formal procedures regarding the use of petty cash and ensure only small and emergency expenditures are made from the petty cash fund. In addition the board should receive and review listings of individual expenditures processed through the petty cash fund prior to approving replenishments to the fund.

**AUDITEE'S RESPONSE**

- A. *We have, as of January 1, 2002, developed a review and check-off system whereas four distinct entities examine the monthly transactions regarding the petty cash account. The entities are the Board Secretary, School Bookkeeper, Superintendent of Schools, and the district's independent auditor.*
- B. *The board will start receiving a copy of expenditures processed through petty cash. This process will begin with the May 2002 board meeting.*

3.

### Taxable Compensation

The district makes payments to employees which appear to be taxable compensation but are not reported on the employees' W-2 forms. Teachers are each paid \$100 for completing in-service training but these payments are not reported on W-2 forms nor subjected to payroll tax withholding. In addition, the district made payments in 2001 of \$4,800 to the superintendent for vehicle allowance and \$1,000 to each of the two principals for district travel. IRS regulations require travel and expense reimbursements be reported on the recipients' W-2 forms unless the recipients are required to report the related expenses to their employer. The district does not require these employees to report their actual district-related vehicle and travel expenses, so these reimbursements should be included on the employees' W-2 forms.

**WE RECOMMEND** the School Board ensure all taxable compensation is reported on employees' W-2 forms and subject to payroll tax withholding. In addition, the board should require employees who receive vehicle and travel allowances to report their actual district-related expenses or report the allowances on their W-2 forms. Prior years' W-2 forms should be amended as applicable.

#### **AUDITEE'S RESPONSE**

*These payments for travel allowance were included as salary beginning January 1, 2002. We will work with our independent auditor to make all applicable adjustments for prior years.*

4.

### General Fixed Assets

- A. The district has not established a permanent detailed record of the property owned by the district. Teachers conduct annual physical inventories of property located in their classrooms; however, some property in the custody of administrative and support staff is not inventoried. In addition, the district does not reconcile the physical inventories to a fixed asset list and the district does not tag or otherwise identify fixed assets as property of the district.

Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. Additions should be reconciled to purchases annually. Complete and accurate property records are necessary to secure better internal control over district property, provide a basis for determining proper insurance coverage, and provide assurance to the public that assets purchased with school monies are being utilized by the school district. Physical inventories are necessary to ensure the property records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. Prenumbered tags, when affixed to property items, allow for

identification of the property in the records and may deter the potential for personal use of district assets.

- B. District owned equipment is allowed to be used by employees or the general public for personal use. District personnel indicated that a tractor has been used by employees of the district as well as non-district employees. Equipment purchased with public monies should only be used for district-related purposes. The district should discontinue allowing personal use of district equipment and adopt a written policy regarding the use of district equipment. The policy should address and define personal use of equipment and any other pertinent issues.

**WE RECOMMEND** the School Board:

- A. Establish property records for all fixed assets and require annual physical inventories of the fixed assets. Additions to the property records should be reconciled to purchases annually, and prenumbered inventory tags that label each item as "Property of North Andrew County R-VI School District" should be attached to all fixed assets.
- B. Adopt a policy regarding equipment usage and discontinue allowing personal use of district equipment.

**AUDITEE'S RESPONSE**

*The district has already been made aware of the new financial reporting standards in the area of general fixed assets by our independent auditor. We have already targeted the 2002-2003 school year as the year to get this program in place. This would include all policies and procedures dealing with all of the fixed assets including the use of these items. These new financial reporting standards become effective July 1, 2003.*

*The district presently keeps on file inventories of supplies and equipment of teachers and administrators work areas.*

**5.**

**Rentals/Leases**

The district has entered into several rental and operating lease agreements for approximately 70 computers, 4 copiers, and a water softener. Payments on these agreements totaled approximately \$41,300 for the year ended June 30, 2001. District personnel indicated the lease and/or rental of this equipment was more beneficial than lease/purchase or outright purchase because these types of equipment become obsolete over a short period of time. However, the district has not formally documented these reasons or documented the economic benefit of these decisions. Formal cost/benefit analyses are necessary to ensure the economical use of district resources and to provide public information of the reasons for rental and lease decisions.

**WE RECOMMEND** the School Board perform a formal cost analysis prior to leasing or renting equipment to ensure the decision is the most economical.

**AUDITEE'S RESPONSE**

*The district is very limited in the amount of monies that we can spend in the area of capital outlay. Therefore, we have been forced to rent many items that under normal circumstances we could purchase. The rental of these items saves the district substantial monies. If these items were purchased and a tax levy was required for every dollar spent, the district would lose over two dollars in state aid for every dollar spent. The board is very aware of these savings generated by our rental programs and makes sure that all of these rentals conform to generally accepted accounting practices. Renting computers allows us to maintain state of the art equipment for our students.*

This report is intended for the information of the management of the North Andrew County R-VI School District and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

NORTH ANDREW COUNTY R-VI SCHOOL DISTRICT  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The North Andrew R-VI School District is located in northern Andrew County near the town of Rosendale, approximately twenty miles north of St. Joseph.

The district operates one school building which houses grades K-12.

Enrollment was approximately 370 for the 2000-2001 school year. The district employed approximately 58 full- and part-time employees, including 3 administrators, 38 teachers, and 17 support staff.

The North Andrew County R-VI School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

An elected board acts as the policy-making body for the district's operations. The board's seven members serve three-year terms without compensation. Members of the board at June 30, 2001, and their current terms of office are:

Name and Position	Term Expires
Carey Barr, President (1)	April 2002
Larry Carr, Vice President	April 2003
Donnie Denney, Member	April 2003
John House, Member (2)	April 2004
Bob Lance, Member (3)	April 2002
Jeff Pittman, Member (1)	April 2002
Richard Wall, Member	April 2004

(1) Re-elected in April 2002.

(2) Elected to the board in April 2001, replacing David Potter.

(3) Replaced by Ray Gilbert who was elected in April 2002.

Other Principal Officials	Annual Compensation
Mike Newman, Superintendent	\$70,031
Jane Snyder, High School Principal (1)	52,913
Betty Schieber, Elementary School Principal	52,913

(1) Bob Elder became principal in July 2001.

Assessed valuations and tax rates for 2000 and 2001 were as follows:

	<u>2001</u>	<u>2000</u>
Assessed Valuation	\$ <u>13,600,770</u>	\$ <u>12,943,850</u>
Tax Rates:		
Incidental	\$ 4.3427	\$ 4.3458
Debt	<u>0</u>	<u>0</u>
Total	\$ <u>4.3427</u>	\$ <u>4.3458</u>